

Before the United States House of Representatives

**Committee on Energy and Commerce
Subcommittee on Commerce, Trade and Consumer Protection**

Hearing on Consumer Protection in the Used and Subprime Car Market

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Introduction

Chairman Rush, Ranking Member Radanovich, and members of the subcommittee, I appreciate having the opportunity to testify before you today regarding consumer protection in the used car market. I would be glad to discuss how the timely disclosure of vehicles that are a total loss can help protect consumers as well as how Experian Automotive can benefit those consumers who are in the market for a used car. We at Experian Automotive continually work to develop and improve our products so that a prospective buyer of a vehicle can understand its history and make an informed decision about that purchase. Experian Automotive is similar to other business units in Experian in that we collect and compile third-party information that we then analyze and deliver in a meaningful manner to help consumers and businesses make timely decisions. A crucial element to better protecting consumers is the use of more information, not less. However, before I explain total loss disclosure and our products, please let me provide some background on our company.

Description of Experian Automotive

Experian is a global leader in providing information, analytical and marketing services to consumers and organizations to help manage the risk and reward of commercial and financial decisions. Combining its unique information tools and deep understanding of individuals, markets and economies, Experian partners with organizations around the world to establish and strengthen customer relationships and provide those businesses with competitive advantage.

For consumers, Experian delivers critical information that enables them to make financial and purchasing decisions with greater control and confidence. Customers

include consumers and client organizations from financial services, retail and catalog, telecommunications, utilities, media, insurance, automotive, leisure, e-commerce, manufacturing, property and government sectors.

Experian Automotive, a part of Experian, delivers information services to manufacturers, dealers, finance and insurance companies, and consumers. Its National Vehicle Database, housing records on more than 600 million vehicles, along with Experian's credit, consumer and business information assets, meets the growing demands of the industry and consumers in making this valuable information available and useful in a timely, cost-effective manner. Experian technology supports several top automotive Web sites. For more information on Experian Automotive and its suite of services, visit our Web site at www.experianautomotive.com.

Acquiring the VINs on Vehicles Declared a Total Loss in a Timely Manner

There is one piece of information that a potential buyer of a motor vehicle would want to know that currently is not usually available in a timely manner: the fact that the vehicle was declared a total loss. Under the current titling system, for a vehicle that is declared a total loss by an insurer, it may take up to 30 to 60 days for that fact to be registered in the title issued by a state. However, in that time, the vehicle is likely to have been repaired, sold at a car auction to an automobile dealer, and then sold to a consumer by that dealer; all of these transactions can occur before the information about the declaration is disclosed to the auction, dealer, or consumer. This is information that both the dealer and the consumer would certainly want to know *before* each bought the vehicle.

To ensure that information on which vehicles have been declared a total loss is disclosed in a timely manner, Experian believes that total loss disclosures should be made commercially available. Toward that end, Experian has supported legislation that would require the disclosure of total loss vehicles. If total loss information were made commercially available by means other than legislation, however, that would meet our purposes as well. The keys are that this information should be disclosed in a timely manner since a totaled car can move quickly and that this information should be made commercially available. The end result is that a purchaser would be able to find all of the relevant information on a vehicle in one place and when the purchaser is trying to make a decision. Making a prospective purchaser go to more than one source to find information on a vehicle does not recognize the speed with which transactions occur.

How Experian Automotive Helps Protect Consumers

Car title fraud is an age-old scourge. Fortunately, technology has enabled some solutions to better protect consumers. An increasing level of protection is achieved by active efforts to develop and continually improve products that give the purchaser of a motor vehicle relevant and timely information. One of Experian's key automotive solutions is its AutoCheck® Vehicle History Report. The Vehicle History Report is designed to help consumers and businesses make better vehicle purchase decisions by quickly and easily understanding potentially significant historical events for pre-owned vehicles manufactured in 1981 or later. Using the Vehicle Identification Number (VIN) and depending on the information reported to Experian, a Vehicle History Report can reveal frequency and location of title and registrations, past title brands, past accidents, and odometer history.

AutoCheck Vehicle History Reports supply information about pre-owned vehicles from a multitude of data sources, including state departments of motor vehicles (DMVs), auto auctions, police accident reports, and salvage yards. By compiling information from a variety of sources, the user of a Vehicle History Report can consider significant information about the vehicle in question that may be available. This information is all in a single convenient form, rather than making the potential buyer go to multiple sources. AutoCheck is the volume leader in supplying vehicle history information to the automotive industry. Consumers, dealers, auctions, and manufacturers can easily access the AutoCheck information via the AutoCheck web site or other integration methods. The extensive use of Vehicle History Reports in the wholesale market by automobile auctions and dealers enables the parties to understand the key events that are reported and to quickly decide on a mutually satisfactory price. For example, Experian Automotive has a partnership with the National Automobile Dealers Association to integrate and market AutoCheck vehicle history information to auto dealers through its line of used car valuation products. AutoCheck offers toll-free telephone and email support to all clients should they have questions regarding any event in the vehicle's past.

Yet, for the reliance on vehicle history reports in general, confusion remains over the relative significance of the various pieces of information presented in it. For example, the report for a particular vehicle may show that it was originally part of a rental fleet; what it doesn't explain is whether that is a good or bad thing, especially when compared to a vehicle with a similar make, model, and age that was not used as a rental. As a result, much of the data presented remains open to interpretation, sometimes complicating what should be a straightforward communication.

Consider that the typical vehicle history report presents numerous data points with little sense of weighting or importance. While it can be presumed that a vehicle's accident history outweighs factors such as the number of owners, it doesn't say by how much, or when that might actually be less important. Also, many of the factors that appear on the report may be more important to one individual than they are to another. In addition, older vehicles by nature will tend to have longer vehicle histories, which can be good or bad. The diversity of these factors makes it difficult to provide an even, consistent interpretation of the overall quality of the vehicle's reported history, and its chances of being on the road after a given period of years.

Recognizing these limitations, Experian Automotive sought to organize, quantify, and weight various data points to create a simple rating methodology based on statistically valid models (rather than individual interpretation). The goal was to create a scoring system much like a consumer credit score, or the gas mileage ratings for new vehicles. This number could be used to compare a particular vehicle to others in its class and age range in order to build confidence in a purchase decision.

The culmination of this effort is AutoCheck ScoreSM. It leverages Experian Automotive's massive, constantly updated database of vehicle history information in combination with the company's expertise in data analysis and interpretation to provide a single-number score for comparison purposes. This number accounts for factors that can affect a used vehicle, weights them according to the performance of millions of prior vehicles in Experian's database, and presents it in a manner that is easy for a buyer to understand.

For informational purposes, attached to my testimony are two samples of AutoCheck Vehicle History Reports. This first one would be for a hypothetical “clean” vehicle. The second sample report would be for a vehicle whose history finds problems with the title.

In addition to reviewing a Vehicle History Report, Experian recommends a thorough vehicle inspection be performed as well. We also advocate that consumers would do well to follow the inspection tips from the National Automobile Dealers Association.

Public/Private Efforts to Improve Titling and Disclosure of Brands

There are numerous examples and opportunities of how public and private organizations can partner to improve titling and brand disclosure.

For instance, Experian Automotive has collaborated for years with the National Insurance Crime Bureau (NICB) to combat automobile theft rings. We provide tools to them at no charge to detect fraud regarding Vehicle Identification Numbers (VINs) such as the use of an existing VIN for a stolen vehicle (cloning) or the creation of a new VIN altogether (counterfeiting).

In addition, Experian has enjoyed a good relationship with the American Association of Motor Vehicle Administrators (AAMVA) for many years. Experian supports AAMVA as an Associate Member and through our participation in the Industry Advisory Board. We have been in discussion with AAMVA for some time about how we may further support their efforts to combat title and vehicle fraud.

Experian offers our AutoCheck services free of charge to law enforcement agencies to support their investigative efforts. We support organizations such as the

National Odometer and Title Fraud Enforcement Association (NOTFEA), the International Association of Lemon Law Administrators (IALLA), and the Association of Traffic Safety Information Professionals (ATSIP).

For the past several years, industry has developed assets and solutions for the marketplace that can be leveraged to support title information as provided for under the Anti-Car Theft Act. For example,

- Experian currently receives vehicle data from all U.S. jurisdictions. A comprehensive, national data source is imperative in combating title and vehicle fraud.
- Experian has expended significant resources in analyzing, interpreting, validating, standardizing, and hosting these data to provide a comprehensive national database of vehicle data to be used in solutions and services. This process allows the data to be used in a 'common' format while retaining the specific content of the different sources.
- Experian has developed secure, flexible methods for distributing our vehicle history reports and services based on the needs of our partners and clients.

Experian welcomes the opportunity to work with government to provide critical information to consumers and business. Whether working with NICB, AAMVA, the state DMVs, or other organizations, having comprehensive vehicle history information available at the point of purchase or titling a vehicle, or during an investigation, is critical to consumers, businesses, DMVs, law enforcement, and others in combating title and vehicle fraud.

Conclusion

The business model for Experian Automotive is to develop products and services for businesses and consumers that provide relevant information from a variety of sources in a timely manner when a decision needs to be made. The result is that a consumer can turn to a reliable third party to learn about a used car that she is interested in buying. The information in the AutoCheck Vehicle History Report and the AutoCheck Score can help the consumer know whether or not the car is a good deal. When a person is making what may be the second largest purchase in their life, this information can remove much of the uncertainty.

Of course Experian is in business to be successful, but there is nothing as personally satisfying as the emails and letters we get from consumers thanking us for helping them pick the best car for them, or, more importantly, helping them avoid a car with a troubled history.

I would be glad to answer any questions.